

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No **14-06-200-8033A-LTR1**

San Luis Unit 10-29-2003

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Central Valley Project, California

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND STATE OF CALIFORNIA PROVIDING FOR PROJECT WATER SERVICE
TO THE MENDOTA WATERFOWL MANAGEMENT AREA HEADQUARTERS
FROM SAN LUIS UNIT

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THIS CONTRACT, made this ____ day of _____, 200_, in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, ~~July 2, 1956 (70 Stat. 483)~~, June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and **the State of California, represented by the California Department of Fish and Game**, hereinafter referred to as the Contractor, a public agency of the State of California, duly organized, existing, and acting pursuant to the laws thereof, with its principal place of business in **Sacramento**, California;

WITNESSETH, That:

EXPLANATORY RECITALS

[1st] WHEREAS, the United States has constructed and is operating the Central Valley

Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries; and

[2nd] WHEREAS, the United States constructed the **San Luis Unit** and ~~related facilities~~, hereinafter collectively referred to as the **San Luis Unit** facilities, which will be used in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

[3rd] WHEREAS, the rights to Project Water were acquired by the United States pursuant to California law for operation of the Project; and

[4th] WHEREAS, the Contractor and the United States entered into Contract No. **14-06-200-8033A**, as amended, **hereinafter referred to as the Existing Contract**, which established terms for the delivery to the Contractor of **Central Valley** Project Water from the **San Luis Unit** from **January 1, 1976 through December 31, 2008**; and

[5th] WHEREAS, the Contractor and the United States have pursuant to Subsection **3404(c)(3) of the Central Valley Project Improvement Act (CVPIA)**, subsequently entered into **a Binding Agreement identified as Binding Agreement No. 14-06-200-8033-BA**, which provided **for the non-payment of the additional mitigation and restoration charges if the Contractor agreed to renew their contract after completion of the Programmatic Environmental Impact**

Statement and negotiation of a renewal contract; and

[6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of interim and existing long-term **Central Valley** Project Water service contracts following completion of appropriate environmental documentation, including a programmatic environmental impact statement (PEIS) pursuant to the National Environmental Policy Act analyzing the direct and indirect impacts and benefits of implementing the CVPIA and the potential renewal of all existing contracts for Project Water; and

[7th] WHEREAS, the United States has completed the PEIS and all other appropriate environmental review necessary to provide for long-term renewal of the Existing Contract; and

[8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of the State of California, for water service from the Central Valley Project; and

[9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of its obligations under the Existing Contract; and

[10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting Officer that the Contractor has utilized the **Central Valley** Project Water supplies available to it for reasonable and beneficial use and/or has demonstrated projected

future demand for water use such that the Contractor has the capability and expects to utilize fully for reasonable and beneficial use the quantity of Project Water to be made available to it pursuant to this Contract; and

[11th] WHEREAS, water obtained from the Central Valley Project has been relied upon by urban areas within California for more than fifty (50) years, and is considered by the Contractor as an essential portion of its water supply; and

[12th] WHEREAS, the economies of regions within the Central Valley Project, including the Contractor's, depend upon the continued availability of water, including water service from the Central Valley Project; and

[13th] **WHEREAS, in the CALFED Programmatic Record of Decision, dated August 28, 2000, the United States and the State of California adopted a general target of continuously improving Delta water quality for all uses. The CALFED Agencies' target for providing safe, reliable, and affordable drinking water in a cost-effective way, is to achieve either: (a) average concentrations at Clinton Forebay and other southern and central Delta drinking water intakes of 50 ug/L bromide and 3.0 mg/L total organic carbon, or (b) an equivalent level of public health protection using a cost-effective combination of alternative source waters, source control and treatment technologies; and**

[14th] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships to pursue measures to improve water supply, water quality, and reliability of the Project for all

1 Project purposes; and

2 [15th] WHEREAS, the mutual goals of the United States and the Contractor include: to
3 provide for reliable **Central Valley** Project Water supplies; **to control costs of those supplies**; to
4 achieve repayment of the Central Valley Project as required by law; to guard reasonably against
5 **Central Valley** Project Water shortages; to achieve a reasonable balance among competing demands
6 for use of **Central Valley** Project Water; and to comply with all applicable environmental statutes,
7 all consistent with the legal obligations of the United States relative to the Central Valley Project; and

8 [16th] WHEREAS, the parties intend by this Contract to develop a more cooperative
9 relationship in order to achieve their mutual goals; and

10 [17th] WHEREAS, the United States and the Contractor are willing to enter into this long-
11 term renewal contract pursuant to Federal Reclamation law on the terms and conditions set forth
12 below;

13 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein
14 contained, it is hereby mutually agreed by the parties hereto as follows:

15 DEFINITIONS

16 1. When used herein unless otherwise distinctly expressed, or manifestly incompatible
17 with the intent of the parties as expressed in this Contract, the term:

18 (a) "Calendar Year" shall mean the period January 1 through December 31, both
19 dates inclusive;

(b) "Charges" shall mean the payments required by Federal Reclamation law in addition to the Rates and Tiered Pricing Components specified in this Contract as determined annually by the Contracting Officer pursuant to this Contract;

(c) "Condition of Shortage" shall mean a condition respecting the Project during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract Total;

(d) "Contracting Officer" shall mean the Secretary of the Interior's duly authorized representative acting pursuant to this Contract or applicable **Federal** Reclamation law or regulation;

(e) "Contract Total" shall mean the maximum amount of water to which the Contractor is entitled under subdivision (a) of Article 3 of this Contract;

(f) "Contractor's Service Area" shall mean the area to which the Contractor is permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto, which may be modified from time to time in accordance with Article 35 of this Contract without amendment of this Contract;

(g) "CVPIA" shall mean the Central Valley Project Improvement Act, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

(h-i) Omitted;

(j) **"Full Cost Rate" shall mean an annual rate, as determined by the Contracting Officer that shall amortize the expenditures for construction properly allocable to**

1 **the Project Irrigation or M&I functions, as appropriate, of facilities in service including all**
2 **operation and maintenance deficits funded, less payments, over such periods as may be**
3 **required under Federal Reclamation law, or applicable contract provisions. Interest will**
4 **accrue on both the construction expenditures and funded O&M deficits from October 12, 1982,**
5 **on costs outstanding at that date, or from the date incurred in the case of costs arising**
6 **subsequent to October 12, 1982, and shall be calculated in accordance with subsections**
7 **202(3)(B) and (3)(C) of the RRA. The full-cost rate includes actual operation, maintenance,**
8 **and replacement costs consistent with Section 426.2 of the Rules and Regulations for the RRA;**

9 (k-l) Omitted;

10 (m) "Irrigation Water" shall mean water made available from the Project that is
11 used primarily in the production of agricultural crops or livestock, including domestic use incidental
12 thereto, and watering of livestock;

13 (n) Omitted;

14 (o) "Municipal and Industrial (M&I) Water" shall mean **Project Water** ~~water~~
15 ~~made available from the Project~~, other than Irrigation Water, made available to the Contractor. M&I
16 Water shall include water used for human use and purposes such as the watering of landscaping or
17 pasture for animals (e.g., horses) which are kept for personal enjoyment or water delivered to land
18 holdings operated in units of less than five (5) acres unless the Contractor establishes to the
19 satisfaction of the Contracting Officer that the use of water delivered to any such landholding is a use

described in subdivision (m) of this Article;

(p) "M&I Full Cost Water Rate" shall mean the **Full Cost Rate applicable to the delivery of M&I Water**; ~~shall amortize the expenditures for construction allocable to Project M&I facilities in service, including, O&M deficits funded, less payments, over such periods as may be required under Federal Reclamation law with interest accruing from the dates such costs were first incurred plus the applicable rate for the O&M of such Project facilities. Interest rates used in the calculation of the M&I Full Cost Rate shall comply with the Interest Rate methodology contained in Section 202 (3) (B) and (C) of the Reclamation Reform Act of 1982;~~

(q) "Operation and Maintenance" or "O&M" shall mean normal and reasonable care, control, operation, repair, replacement (other than Capital replacement), and maintenance of Project facilities;

(r) "Operating Non-Federal Entity" shall mean the **San Luis Delta Mendota Water Authority**, a Non-Federal entity which has the obligation to operate and maintain all or a portion of the **San Luis Unit** facilities pursuant to an agreement with the United States, and which may have funding obligations with respect thereto;

(s) "Project" shall mean the Central Valley Project owned by the United States and managed by the Department of the Interior, Bureau of Reclamation;

(t) "Project Contractors" shall mean all parties who have water service contracts for Project Water from the Project with the United States pursuant to Federal Reclamation law;

1 (u) “Project Water” shall mean all water that is developed, diverted, stored, or
2 delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance
3 with the terms and conditions of water rights acquired pursuant to California law;

4 (v) “Rates” shall mean the payments determined annually by the Contracting
5 Officer in accordance with the then current applicable water ratesetting policies for the Project, as
6 described in subdivision (a) of Article 7 of this Contract;

7 (w) “Recent Historic Average” shall mean the most recent five (5) -year average of
8 the final forecast of Water Made Available to the Contractor pursuant to this Contract or its
9 preceding contract(s);

10 (x) “Secretary” shall mean the Secretary of the Interior, a duly appointed
11 successor, or an authorized representative acting pursuant to any authority of the Secretary and
12 through any agency of the Department of the Interior;

13 (y) “Tiered Pricing Component” shall be the incremental amount to be paid for
14 each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

15 (z) “Water Delivered” or “Delivered Water” shall mean Project Water diverted for
16 use by the Contractor at the point(s) of delivery approved by the Contracting Officer;

17 (aa) “Water Made Available” shall mean the estimated amount of Project Water
18 that can be delivered to the Contractor for the upcoming Year as declared by the Contracting Officer,
19 pursuant to subdivision (a) of Article 4 of this Contract;

(bb) "Water Scheduled" shall mean Project Water made available to the Contractor for which times and quantities for delivery have been established by the Contractor and Contracting Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

(cc) "Year" shall mean the period from and including March 1 of each Calendar Year through the last day of February of the following Calendar Year.

TERM OF CONTRACT

2. (a) This Contract shall be effective March 1, **2005**, through February 28 (29), **2045**. In the event the Contractor wishes to renew the Contract beyond February 28 (29), **2045**, the Contractor shall submit a request for renewal in writing to the Contracting Officer no later than two (2) years prior to the date this Contract expires. This Contract, when effective, supersedes the Existing Contract. No. ~~14-06-200-4173A~~ dated ~~October 28, 1968~~. The renewal of this Contract insofar as it pertains to the furnishing of M&I Water to the Contractor shall be governed by subdivision (c) of this Article.

(b) Omitted.

(c) This Contract ~~insofar as it pertains to the furnishing of M&I Water to the Contractor~~ shall be renewed for a period of up to **forty (40) years** and thereafter shall be renewed for successive periods of up to ~~Twenty-five (25)~~ **forty (40)** years each, which periods shall be consistent with the then-existing ~~Reclamation-wide~~ policy, under terms and conditions mutually agreeable to the parties and consistent with Federal and State law. ~~The present Reclamation-wide policy, dated~~

1 ~~March 20, 2000, provides that the term of such contracts shall be no more than twenty-five (25) years~~
2 ~~each, subject to a variance to allow a longer term in appropriate circumstances. The Contractor shall~~
3 ~~be afforded the opportunity to comment to the Contracting Officer on the proposed adoption and~~
4 ~~application of any revised Reclamation-wide policy applicable to the delivery of Project M&I Water~~
5 ~~that would limit the term of any subsequent renewal contract with the Contractor for the furnishing of~~
6 ~~M&I Water to less than forty (40) years.~~

7 (d) The Contracting Officer ~~anticipates that by December 31, 2024, all authorized~~
8 ~~project...at the request of the Contractor, be converted~~ **shall make a determination 10 years after**
9 **the date of execution of this Contract, and every 5 years thereafter during the term of this**
10 **Contract, of whether a conversion** to a contract under subsection (c)(1) of Section 9 of the
11 Reclamation Project Act of 1939 **can be accomplished. The Contracting Officer anticipates that**
12 **during the term of this contract, all authorized project construction expected to occur will have**
13 **occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all**
14 **costs that are properly assignable to the Contractor, and agrees further that, at any time after**
15 **such allocation is made, and subject to satisfaction of the conditions set out in this subdivision**
16 **of this Article, this contract shall, at the request of the contractor, be converted to a contract**
17 **under said subsection (c)(1) of Section 9,** subject to applicable Federal law and under stated terms
18 and conditions mutually agreeable to the Contractor and the Contracting Officer. A condition for
19 such conversion to occur shall be a determination by the Contracting Officer that, account being

1 taken of the amount credited to return by the Contractor as provided for under **Federal** Reclamation
2 law, the remaining amount of construction costs assignable for ultimate return by the Contractor can
3 probably be repaid to the United States within the term of a contract under said subsection (c)(1) of
4 **Section 9**. If the remaining amount of costs that are properly assignable to the Contractor cannot be
5 determined by ~~December 31, 2024~~, **during the term of this Contract**, the Contracting Officer shall
6 notify the Contractor, and provide the reason(s) why such a determination could not be made.
7 Further, the Contracting Officer shall make such a determination as soon thereafter as possible so as
8 to permit, upon request of the Contractor and satisfaction of the conditions set out above, conversion
9 to a contract under said subsection (c)(1) **of Section 9**. ~~In the event such determination of costs has~~
10 ~~not been made at a time which allows conversion of this Contract during...~~ the Contracting Officer
11 ~~shall do so at the earliest time the Contracting Officer has such ability.~~

12 **WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR**

13 3. (a) During each Year, consistent with all applicable State water rights, permits,
14 and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of this
15 Contract, the Contracting Officer shall make available for delivery to the Contractor **10** acre-feet of
16 water for M&I purposes. The quantity of Water Delivered to the Contractor in accordance with this
17 subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this
18 Contract.

19 (b) Because the capacity of the Central Valley Project to deliver Project Water has

1 been constrained in recent years and may be constrained in the future due to many factors including
2 hydrologic conditions and implementation of Federal and State laws, the likelihood of the Contractor
3 actually receiving the ~~full~~ amount **of water** set out in subdivision (a) of this Article in any given Year
4 is uncertain. The Contracting Officer's most recent modeling referenced in the PEIS projected that
5 ~~the full amount of the~~ Contract Total set forth in ~~subdivision (a) of this article~~ **Contract** will not be
6 ~~the Water Made~~ available to the Contractor in many years. During the most recent five (5) years, the
7 Recent Historic Average of **Water Made Available** to the Contractor was **10 acre-feet**. Nothing in
8 ~~this~~ subdivision (b) of this Article shall affect the rights and obligations of the parties under any
9 provision of this Contract.

10 (c) The Contractor shall utilize the Project Water in accordance with all applicable
11 legal requirements.

12 (d) The Contractor shall make reasonable and beneficial use of all Project Water
13 or other water furnished pursuant to this Contract. Groundwater recharge programs (**direct, indirect,**
14 **or in lieu**), groundwater banking programs, surface water storage programs, and other similar
15 programs utilizing Project Water or other water furnished pursuant to this Contract conducted within
16 the Contractor's Service Area which are consistent with applicable State law and result in use
17 consistent with **Federal** Reclamation law will be allowed; Provided, That any direct recharge
18 program(s) is (are) described in the Contractor's Water Conservation Plan submitted pursuant to
19 Article 26 of this Contract; Provided, further, That such Water Conservation Plan demonstrates

sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average, the quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance with **Federal** Reclamation Law. Groundwater recharge programs, groundwater banking programs, surface water storage programs, and other similar programs utilizing Project Water or other water furnished pursuant to this Contract conducted outside the Contractor's Service Area may be permitted upon written approval of the Contracting Officer, which approval will be based upon environmental documentation, Project Water rights, and Project operational concerns. The Contracting Officer will address such concerns in regulations, policies, or guidelines.

(e) The Contractor shall comply with requirements applicable to the Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973, as amended, that are within the Contractor's legal authority to implement. ~~The Contractor shall comply with the limitations or requirements...and within its legal authority to implement regarding specific activities.~~ **The Existing Contract, which evidences in excess of 28 years of diversions for municipal and industrial purposes of the quantities of water provided in subdivision (a) of Article 3 of this Contract, will be considered in developing an appropriate baseline for the Biological Assessment prepared pursuant to the Endangered Species Act, and any other needed environmental review.** Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with respect to any biological opinion or other environmental

1 documentation referred to in this Article.

2 (f) Following the declaration of Water Made Available under Article 4 of this
3 Contact, the Contracting Officer will make a determination whether Project Water, or other water
4 available to the Project, can be made available to the Contractor in addition to the Contract Total
5 under ~~this~~ Article 3 of this Contract during the Year without adversely impacting other Project
6 Contractors. At the request of the Contractor, the Contracting Officer will consult with the
7 Contractor prior to making such a determination. If the Contracting Officer determines that Project
8 Water, or other water available to the Project, can be made available to the Contractor, the
9 Contracting Officer will announce the availability of such water and shall so notify the Contractor as
10 soon as practical. The Contracting Officer will thereafter meet with the Contractor and other Project
11 Contractors capable of taking such water to determine the most equitable and efficient allocation of
12 such water. If the Contractor requests the delivery of any quantity of such water, the Contracting
13 Officer shall make such water available to the Contractor in accordance with applicable statutes,
14 regulations, guidelines, and policies.

15 (g) The Contractor may request permission to reschedule for use during the
16 subsequent Year some or all of the Water Made Available to the Contractor during the current Year
17 referred to as "carryover." The Contractor may request permission to use during the current Year a
18 quantity of Project Water which may be made available by the United States to the Contractor during
19 the subsequent Year referred to as "preuse." The Contracting Officer's written approval may permit

1 such uses in accordance with applicable statutes, regulations, guidelines, and policies.

2 (h) The Contractors' right pursuant to Federal Reclamation law and applicable
3 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during the
4 term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract, during
5 the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its obligations
6 under this Contract and any renewals thereof. Nothing in the preceding sentence shall affect the
7 Contracting Officer's ability to impose shortages under Article 11 or subdivision (b) of Article 12 of
8 this Contract or applicable provisions of any subsequent renewal contracts.

9 (i) Project Water furnished to the Contractor pursuant to this Contract may be
10 delivered for purposes other than those described in subdivision (m) and (o) of Article 1 of this
11 Contract upon written approval by the Contracting Officer in accordance with the terms and
12 conditions of such approval.

13 (j) The Contracting Officer shall make reasonable efforts to protect the water
14 rights necessary for the Project and to provide the water available under this Contract. The
15 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
16 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
17 however, That the Contracting Officer retains the right to object to the substance of the Contractor's
18 position in such a proceeding; **Provided further,** that in such proceedings the Contracting Officer
19 shall recognize the Contractor has a legal right under the terms of this Contract to use Project

Water.

TIME FOR DELIVERY OF WATER

(4) (a) On or about February 20 of each Calendar Year, the Contracting Officer shall announce the Contracting Officer's expected declaration of the Water Made Available. **Such declaration of Project operations will be expressed in terms of both Water Made Available and the Recent Historic Average and** will be updated monthly, and more frequently if necessary, based on then-current operational and hydrologic conditions and a new declaration with changes, if any, to the Water Made Available will be made. The Contracting Officer shall provide forecasts of Project operations and the basis of the estimate, with relevant supporting information, upon the written request of the Contractor. Concurrently with the declaration of the Water Made Available, the Contracting Officer shall provide the Contractor with the updated Recent Historic Average. ~~The declaration of Project operations will be expressed in terms of both Water Made Available and the Recent Historic Average.~~

(b) On or before each March 1 and at such other times as necessary, the Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting Officer, showing the monthly quantities of Project Water to be delivered by the United States to the Contractor pursuant to this Contract for the Year commencing on such March 1. The Contracting Officer shall use all reasonable means to deliver Project Water according to the approved schedule for the Year commencing on such March 1.

1 (c) The Contractor shall not schedule Project Water in excess of the quantity of
2 Project Water the Contractor intends to put to reasonable and beneficial use within the Contractor's
3 Service Area or to sell, transfer or exchange pursuant to Article 9 of this Contract during any Year.

4 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
5 Contract, the United States shall deliver Project Water to the Contractor in accordance with the initial
6 schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any written
7 revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable time prior
8 to the date(s) on which the requested change(s) is/are to be implemented.

9 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

10 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
11 Contract shall be delivered to the Contractor at **Project facilities and any additional** point or points
12 of delivery either on Project facilities or another location or locations mutually agreed to in writing
13 by the Contracting Officer and the Contractor.

14 (b) The Contracting Officer, the Operating Non-Federal Entity, or other
15 appropriate entity **as designated by the Contracting Officer (hereinafter referred to as the**
16 **"Other Appropriate Entity")** shall make all reasonable efforts to maintain sufficient flows and
17 levels of water in the **Project facilities** to deliver Project Water to the Contractor at specific turnouts
18 established pursuant to subdivision (a) of this Article.

19 (c) The Contractor shall not deliver Project Water to land outside the Contractor's

1 Service Area unless approved in advance by the Contracting Officer.

2 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
3 measured and recorded with equipment furnished, installed, operated, and maintained by the United
4 States, the Operating Non-Federal Entity or Other Appropriate Entity ~~as designated by the~~
5 ~~Contracting Officer (hereinafter "other appropriate entity")~~ at the point or points of delivery
6 established pursuant to subdivision (a) of this Article. Upon the request of either party to this
7 Contract, the Contracting Officer shall investigate, or cause to be investigated by the responsible
8 Operating Non-Federal Entity, the accuracy of such measurements and shall take any necessary steps
9 to adjust any errors appearing therein. For any period of time when accurate measurements have not
10 been made, the Contracting Officer shall consult with the Contractor and the responsible Operating
11 Non-Federal Entity prior to making a final determination of the quantity delivered for that period of
12 time.

13 (e) Neither the Contracting Officer nor any Operating Non-Federal Entity shall be
14 responsible for the control, carriage, handling, use, disposal, or distribution of ~~Project~~ Water
15 Delivered to the Contractor pursuant to this Contract beyond the delivery points specified in
16 subdivision (a) of this Article. The Contractor shall indemnify the United States, its officers,
17 employees, agents, and assigns on account of damage or claim of damage of any nature whatsoever
18 for which there is legal responsibility, including property damage, personal injury, or death arising
19 out of or connected with the control, carriage, handling, use, disposal, or distribution of such ~~Project~~

1 Water **Delivered** beyond such delivery points, except for any damage or claim arising out of: (i) acts
2 or omissions of the Contracting Officer or any of its officers, employees, agents, or assigns, including
3 any responsible Operating Non-Federal Entity, with the intent of creating the situation resulting in
4 any damage or claim; (ii) willful misconduct of the Contracting Officer or any of its officers,
5 employees, agents, or assigns, including any responsible Operating Non-Federal Entity; (iii)
6 negligence of the Contracting Officer or any of its officers, employees, agents, or assigns including
7 any responsible Operating Non-Federal Entity; or (iv) damage or claims resulting from a malfunction
8 of facilities owned and/or operated by the United States or responsible Operating Non-Federal Entity;
9 Provided, That the Contractor is not the Operating Non-Federal Entity that owned or operated the
10 malfunctioning facility(ies) from which the damage claim arose.

11 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

12 6. (a) The Contractor ~~has established a measuring program satisfactory to the~~
13 ~~Contracting Officer~~ shall ensure that, **unless the Contractor establishes an alternative**
14 **measurement program satisfactory to the Contracting Officer**, all surface water delivered for
15 **M&I** purposes is measured at each **M&I** service connection. The water measuring devices or water
16 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer. The
17 Contractor shall be responsible for installing, operating, and maintaining and repairing all such
18 measuring devices and implementing all such water measuring methods at no cost to the United
19 States. The Contractor shall use the information obtained from such water measuring devices or

1 water measuring methods to ensure its proper management of the water, to bill water users for water
2 delivered by the Contractor; and, if applicable, to record water delivered for **M&I** purposes by
3 customer class as defined in the Contractor's water conservation plan provided for in Article 26 of
4 this Contract. Nothing herein contained, however, shall preclude the Contractor from establishing
5 and collecting any charges, assessments, or other revenues authorized by California law. The
6 Contractor shall include a summary of all its annual surface water deliveries in the annual report
7 described in subdivision (c) of Article 26. ~~of this Contract.~~

8 (b) To the extent the information has not otherwise been provided, upon execution
9 of this Contract, the Contractor shall provide to the Contracting Officer a written report describing
10 the measurement devices or water measuring methods being used or to be used to implement
11 subdivision (a) of this Article and identifying the **M&I** service connections or alternative
12 measurement programs approved by the Contracting Officer, at which such measurement devices or
13 water measuring methods are being used, and, if applicable, identifying the locations at which such
14 devices and/or methods are not yet being used including a time schedule for implementation at such
15 locations. The Contracting Officer shall advise the Contractor in writing within sixty (60) days as to
16 the adequacy of, and necessary modifications, if any, of the measuring devices or water measuring
17 methods identified in the Contractor's report and if the Contracting Officer does not respond in such
18 time, they shall be deemed adequate. If the Contracting Officer notifies the Contractor that the
19 measuring devices or methods are inadequate, the parties shall within sixty (60) days following the

1 Contracting Officer's response, negotiate in good faith the earliest practicable date by which the
2 Contractor shall modify said measuring devices and/or measuring methods as required by the
3 Contracting Officer to ensure compliance with subdivision (a) of this Article.

4 (c) All new surface water delivery systems installed within the Contractor's
5 Service Area after the effective date of this Contract shall also comply with the measurement
6 provisions described in subdivision (a) of this Article.

7 (d) The Contractor shall inform the Contracting Officer and the State of California
8 in writing by April 30 of each Year of the monthly volume of surface water delivered within the
9 Contractor's Service Area during the previous Year.

10 (e) The Contractor shall inform the Contracting Officer and the Operating Non-
11 Federal Entity on or before the twentieth (20th) calendar day of each month of the quantity of M&I
12 Water taken during the preceding month.

13 RATES AND METHOD OF PAYMENT FOR WATER

14 7. (a) The Contractor shall pay the United States as provided in this Article for all
15 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
16 with: (i) the Secretary's then-existing ratesetting policy for M&I Water. Such ratesetting policies
17 shall be amended, modified, or superseded only through a public notice and comment procedure; (ii)
18 applicable **Federal** Reclamation law and associated rules and regulations, or policies; and (iii) other
19 applicable provisions of this Contract. Payments shall be made by cash transaction, wire **transfer**, or

1 any other mechanism as may be agreed to in writing by the Contractor and the Contracting Officer.
2 The Rates, Charges, and Tiered Pricing Components applicable to the Contractor upon execution of
3 this Contract are set forth in Exhibit "B", as may be revised annually.

4 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
5 Tiered Pricing Components as follows:

6 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
7 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
8 period October 1, of the current Calendar Year, through September 30, of the following
9 Calendar Year, and the basis for such estimate. The Contractor shall be allowed not less than
10 two (2) months to review and comment on such estimates. On or before September 15 of
11 each Calendar Year, the Contracting Officer shall notify the Contractor in writing of the
12 Charges to be in effect during the period October 1 of the current Calendar Year, through
13 September 30, of the following Calendar Year, and such notification shall revise Exhibit "B."

14 (2) Prior to October 1 of each Calendar Year, the Contracting Officer shall
15 make available to the Contractor an estimate of the Rates and Tiered Pricing Components for
16 Project Water for the following Year and the computations and cost allocations upon which
17 those Rates are based. The Contractor shall be allowed not less than two (2) months to
18 review and comment on such computations and cost allocations. By December 31 of each
19 Calendar Year, the Contracting Officer shall provide the Contractor with the final Rates and

1 Tiered Pricing Components to be in effect for the upcoming Year, and such notification shall
2 revise Exhibit "B".

3 (c) At the time the Contractor submits the initial schedule for the delivery of
4 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
5 shall make an advance payment to the United States equal to the total amount payable pursuant to the
6 applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
7 delivered pursuant to this Contract during the first two (2) calendar months of the Year. Before the
8 end of the first month and before the end of each calendar month thereafter, the Contractor shall
9 make an advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article,
10 for the Water Scheduled to be delivered pursuant to this Contract during the second month
11 immediately following. Adjustments between advance payments for Water Scheduled and payments
12 at Rates due for Water Delivered shall be made before the end of the following month; Provided,
13 That any revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which
14 increases the amount of Water Delivered pursuant to this Contract during any month shall be
15 accompanied with appropriate advance payment, at the Rates then in effect, to assure that Project
16 Water is not delivered to the Contractor in advance of such payment. In any month in which the
17 quantity of Water Delivered to the Contractor pursuant to this Contract equals the quantity of Water
18 Scheduled and paid for by the Contractor, no additional Project Water shall be delivered to the
19 Contractor unless and until an advance payment at the Rates then in effect for such additional Project

1 Water is made. Final adjustment between the advance payments for the Water Scheduled and
2 payments for the quantities of Water Delivered during each Year pursuant to this Contract shall be
3 made as soon as practicable but no later than April 30th of the following Year, or sixty (60) days
4 after the delivery of Project Water carried over under subdivision ~~(f)~~-(g) of Article 3 of this Contract
5 if such water is not delivered by the last day of February.

6 (d) The Contractor shall also make a payment in addition to the Rate(s) in
7 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
8 appropriate Tiered Pricing Component then in effect, before the end of the month ~~following the~~
9 ~~month~~ of delivery. ~~Provided, That the Contractor may be granted an exception from the Tiered~~
10 ~~Pricing Component pursuant to subdivision (j)(2) of this Article.~~ The payments shall be consistent
11 with the quantities of M&I Water Delivered as shown in the water delivery report for the subject
12 month prepared by the Operating Non-Federal Entity or, if there is no Operating Non-Federal Entity,
13 by the Contracting Officer. The water delivery report shall be deemed a bill for the payment of
14 Charges and the applicable Tiered Pricing Component for Water Delivered. Adjustment for
15 overpayment or underpayment of Charges shall be made through the adjustment of payments due to
16 the United States for Charges for the next month. Any amount to be paid for past due payment of
17 Charges and the Tiered Pricing Component shall be computed pursuant to Article 20 of this Contract.

18 (e) The Contractor shall pay for any Water Delivered under subdivision (d), (f), or
19 (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable

1 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;

2 Provided, That the Rate for Water Delivered under subdivision (d) of Article 3 of this Contract shall
3 be no more than the otherwise applicable Rate for M&I Water under subdivision (a) of this Article.

4 (f) Payments to be made by the Contractor to the United States under this
5 Contract may be paid from any revenues available to the Contractor.

6 (g) All revenues received by the United States from the Contractor relating to the
7 delivery of Project Water or the delivery of non-Project water through Project facilities shall be
8 allocated and applied in accordance with Federal Reclamation law and the associated rules or
9 regulations, and the then current Project ratesetting policies for M&I Water.

10 (h) The Contracting Officer shall keep its accounts pertaining to the administration
11 of the financial terms and conditions of its long-term contracts, in accordance with applicable Federal
12 standards, so as to reflect the application of Project costs and revenues. The Contracting Officer
13 shall, each Year upon request of the Contractor, provide to the Contractor a detailed accounting of all
14 Project and Contractor expense allocations, the disposition of all Project and Contractor revenues,
15 and a summary of all water delivery information. The Contracting Officer and the Contractor shall
16 enter into good faith negotiations to resolve any discrepancies or disputes relating to accountings,
17 reports, or information.

18 (i) The parties acknowledge and agree that the efficient administration of this
19 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,

1 policies, and procedures used for establishing Rates, Charges, and Tiered Pricing Components,
2 and/or for making and allocating payments, other than those set forth in this Article may be in the
3 mutual best interest of the parties, it is expressly agreed that the parties may enter into agreements to
4 modify the mechanisms, policies, and procedures for any of those purposes while this Contract is in
5 effect without amending this Contract.

6 (j) (1) Beginning at such time as deliveries of Project Water in a Year exceed
7 eighty (80%) percent of the Contract Total, then before the end of the month following the month of
8 delivery the Contractor shall make an additional payment to the United States equal to the applicable
9 Tiered Pricing Component. The Tiered Pricing Component for the amount of Water Delivered in
10 excess of eighty (80%) percent of the Contract Total, but less than or equal to ninety (90%) percent
11 of the Contract Total, shall equal the one-half of the difference between the Rate established under
12 subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered Pricing Component for
13 the amount of Water Delivered which exceeds ninety (90%) percent of the Contract Total shall equal
14 the difference between (i) the Rate established under subdivision (a) of this Article and (ii) the M&I
15 Full Cost Water Rate.

16 (2) Omitted.

17 (3) For purposes of determining the applicability of the Tiered Pricing
18 Components pursuant to this Article, Water Delivered shall include Project Water that the
19 Contractor transfers to others but shall not include Project Water transferred and delivered to

1 the Contractor.

2 (k) For the term of this Contract, Rates ~~applied to~~ under the respective ratesetting
3 policies will be established to recover only reimbursable **O&M** (including any deficits) and capital
4 costs of the Project, as those terms are used in the then-current Project ratesetting policies, and
5 interest, where appropriate, except in instances where a minimum Rate is applicable in accordance
6 with the relevant Project ratesetting policy. Changes of significance in practices which implement
7 the Contracting Officer's ratesetting policies will not be implemented until the Contracting Officer
8 has provided the Contractor an opportunity to discuss the nature, need, and impact of the proposed
9 change.

10 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
11 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
12 upward or downward to reflect the changed costs of delivery (if any) of the transferred Project Water
13 to the transferee's point of delivery in accordance with the then applicable CVP Ratesetting Policy.

14 (m) **Omitted.** ~~Pursuant to the Act of October 27, 1986..ability to pay every five~~
15 ~~(5) years.~~

16 (n) The Contractor asserts that it is not legally obligated to ~~repay~~ pay any Project
17 deficits claimed by the United States to have accrued as of the date of this Contract or **deficit-related**
18 **interest charges thereon.** By entering into this Contract, the Contractor does not waive any legal
19 rights or remedies ~~described in the "Tolling Agreement for Claims related to M&I Ratesetting~~

Policy” dated March 12, 2001, as that Agreement now exists or is hereafter amended it may have with respect to such disputed issues. Notwithstanding the execution of this Contract and payments made hereunder, the Contractor may challenge in the appropriate administrative or judicial forums: (1) the existence, the computation, or imposition of any deficit charges accruing during the term of the Existing Contract; (2) interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in the Rates; (4) the application by the United States of payments made by the Contractor under its Existing Contract; and (5) the application of such payments in the Rates. The Contracting Officer agrees that the Contractor shall be entitled to the benefit of any administrative or judicial ruling in favor of any other Project M&I contractor on any of these issues, ~~Provided, that~~ and credits for payments heretofore made, provided that the basis for such ruling is applicable to the Contractor.

NON INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

8. **Omitted.**

SALES, TRANSFERS, OR EXCHANGES OF WATER

9. (a) The right to receive Project Water provided for in this Contract may be sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of California if such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this Contract may take place without the prior written approval of the Contracting Officer, except as

provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be approved absent ~~compliance with~~ **all** appropriate environmental documentation, including but not limited to **documents prepared pursuant to** the National Environmental Policy Act and the Endangered Species Act. Such environmental documentation should include, as appropriate, an analysis of groundwater impacts and economic and social effects, including environmental justice, of the proposed water transfers on both the transferor and transferee.

(b) In order to facilitate efficient water management by means of water transfers of the type historically carried out among Project Contractors located within the same geographical area and to allow the Contractor to participate in an accelerated water transfer program during the term of this Contract, the Contracting Officer shall prepare, as appropriate, **all** necessary environmental documentation including, but not limited to **documents prepared pursuant to** the National Environmental Policy Act and the Endangered Species Act analyzing annual transfers within such geographical areas and the Contracting Officer shall determine whether such transfers comply with applicable law. Following the completion of the environmental documentation, such transfers addressed in such documentation shall be conducted with advance notice to the Contracting Officer, but shall not require prior written approval by the Contracting Officer. Such environmental documentation and the Contracting Officer's compliance determination shall be reviewed every five (5) years and updated, as necessary, prior to the expiration of the then existing five (5) -year period. All subsequent environmental documentation shall include an alternative to evaluate not less than the

1 quantity of Project Water historically transferred within the same geographical area.

2 (c) For a water transfer to qualify under subdivision (b) of this Article, such water
3 transfer must: (i) be for irrigation purposes for lands irrigated within the previous three (3) years, for
4 M&I use, groundwater recharge, ~~ground~~ water banking, ~~or similar groundwater activities, surface~~
5 ~~water storage~~, or fish and wildlife resources; not lead to land conversion; and be delivered to
6 established cropland, wildlife refuges, groundwater basins or municipal and industrial use; (ii) occur
7 within a single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water
8 through existing facilities with no new construction or modifications to facilities and be between
9 existing Project **contractors** and/or the Contractor and the United States, Department of the Interior;
10 and (v) comply with all applicable Federal, State, and local or tribal laws and requirements imposed
11 for protection of the environment and Indian Trust Assets, as defined under Federal law.

12 APPLICATION OF PAYMENTS AND ADJUSTMENTS

13 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
14 Capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
15 the Contractor arising out of this Contract then due and payable. Overpayments of more than One
16 Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu of a refund, any
17 amount of such overpayment at the option of the Contractor, may be credited against amounts to
18 become due to the United States by the Contractor. With respect to overpayment, such refund or
19 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to have

the right to the use of any of the Project Water supply provided for herein. All credits and refunds of overpayments shall be made within thirty (30) days of the Contracting Officer obtaining direction as to how to credit or refund such overpayment in response to the notice to the Contractor that it has finalized the accounts for the Year in which the overpayment was made.

(b) All advances for miscellaneous costs incurred for work requested by the Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when the work has been completed. If the advances exceed the actual costs incurred, the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will be billed for the additional costs pursuant to Article 25 of this Contract.

TEMPORARY REDUCTIONS--RETURN FLOWS

11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the requirements of Federal law and (ii) the obligations of the United States under existing contracts, or renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this Contract.

(b) The Contracting Officer or Operating Non-Federal Entity may temporarily discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for the purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far

1 as feasible the Contracting Officer or Operating Non-Federal Entity will give the Contractor due
2 notice in advance of such temporary discontinuance or reduction, except in case of emergency, in
3 which case no notice need be given; Provided, That the United States shall use its best efforts to
4 avoid any discontinuance or reduction in such service. Upon resumption of service after such
5 reduction or discontinuance, and if requested by the Contractor, the United States will, if possible,
6 deliver the quantity of Project Water which would have been delivered hereunder in the absence of
7 such discontinuance or reduction.

8 (c) The United States reserves the right to all seepage and return flow water
9 derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond the
10 Contractor's Service Area; Provided, That this shall not be construed as claiming for the United
11 States any right as seepage or return flow being put to reasonable and beneficial use pursuant to this
12 Contract within the Contractor's Service Area by the Contractor or those claiming by, through, or
13 under the Contractor.

14 CONSTRAINTS ON THE AVAILABILITY OF WATER

15 12. (a) In its operation of the Project, the Contracting Officer will use all reasonable
16 means to guard against a Condition of Shortage in the quantity of water to be made available to the
17 Contractor pursuant to this **long-term renewal Contract**. In the event the Contracting Officer
18 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
19 Contractor of said determination as soon as practicable.

(b) If there is a Condition of Shortage because of errors in physical operations of the Project, drought, other physical causes beyond the control of the Contracting Officer or actions taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a) of Article 18 of this Contract, no liability shall accrue against the United States or any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

~~(b.1) In any Year in which there may occur a shortage the Contracting Officer shall apportion the available Project Water supply among the Contractor and others entitled, under contracts existing at the time of the shortage to receive Project Water consistent with the terms of those contracts.~~

(c) **Omitted.**

(d) Project Water furnished under this Contract for M&I purposes will be allocated in accordance with the then-existing Project M&I Water Shortage Policy. Such policy shall be amended, modified, or superseded only through a public notice and comment procedure.

(e) **By entering into this Contract, the Contractor does not waive any legal rights or remedies it may have to file or participate in any administrative or judicial proceeding contesting (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy adopted after the effective date of this Contract was promulgated; (ii) the substance of such a policy; or (iii) the applicability of such a policy. By agreeing to the foregoing, the Contracting Officer does not waive any legal defenses or remedies that it may**

1 **then have to assert in such a proceeding.**

2 UNAVOIDABLE GROUNDWATER PERCOLATION

3 13. Omitted

4 RULES AND REGULATIONS

5 14. The parties agree that the delivery of **M&I** Water or use of Federal facilities pursuant
6 to this Contract is subject to **the applicable provisions of** Federal Reclamation law ~~as amended and~~
7 ~~supplemented and any applicable~~ rules and regulations promulgated by the Secretary of the Interior
8 under ~~Federal Reclamation~~ **such** law.

9
10 WATER AND AIR POLLUTION CONTROL

11
12 15. The Contractor, in carrying out this Contract, shall comply with all applicable water
13 and air pollution laws and regulations of the United States and the State of California, and shall
14 obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

15
16 QUALITY OF WATER

17 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to
18 this Contract shall be operated and maintained to enable the United States to deliver Project Water to
19 the Contractor in accordance with the water quality standards specified in subsection 2(b) of the Act
20 of August 26, 1937 (50 Stat. ~~850~~ **865**), as added by Section 101 of the Act of October 27, 1986 (100
21 Stat. 3050) or other existing Federal laws. The United States is under no obligation to construct or
22 furnish water treatment facilities to maintain or to improve the quality of Water Delivered to the
23 Contractor pursuant to this Contract. The United States does not warrant the quality of Water

Delivered to the Contractor pursuant to this Contract.

(b) The ~~Operation and Maintenance~~ **O&M** of Project facilities shall be performed in such manner as is practicable to maintain the quality of raw water made available through such facilities at the highest level reasonably attainable as determined by the Contracting Officer.

WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

17. (a) Omitted.

(b) Water or water rights now owned or hereafter acquired by the Contractor, other than from the United States, ~~or adverse to the Project or its contractors (i.e., non-project water)~~ may be stored, conveyed and/or diverted through Project facilities, subject to the completion of appropriate environmental documentation, with the approval of the Contracting Officer and the execution of any contract determined by the Contracting Officer to be necessary, consistent with the following provisions:

(1) The Contractor may introduce non-Project water into Project facilities and deliver said water **to lands** within the Contractor's Service Area, subject to payment to the United States and/or to any applicable Operating Non-Federal Entity of an appropriate rate as determined by the CVP Ratesetting Policy **and the Reclamation Reform Act of 1982**, each as amended, modified or ~~superseded~~ **superseded** from time to time. In addition, if electrical power is required to pump non-Project water through the facilities, the Contractor shall be responsible for obtaining the necessary power and paying the necessary charges

1 therefor.

2 (2) Delivery of such non-Project water in and through Project facilities
3 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
4 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
5 available to other Project water service contractors; (iii) interfere with the delivery of
6 contractual water entitlements to any other Project water service contractors; or (iv) interfere
7 with the physical maintenance of the Project facilities.

8 (3) Neither the United States nor the Operating Non-Federal Entity shall be
9 responsible for control, care or distribution of the non-Project water before it is introduced
10 into or after it is delivered from the Project facilities. The Contractor hereby releases and
11 agrees to defend and indemnify the United States and the Operating Non-Federal Entity, and
12 their respective officers, agents, and employees, from any claim for damage to persons or
13 property, direct or indirect, ~~resulting from Contractors diversion or extraction arising out of or~~
14 ~~relating to~~ **resulting from the Contractor's or its officers', employees', agents' or**
15 **assigns', act of (i) extracting or diverting** non-Project water from any source, **or (ii)**
16 **diverting such non-Project water into Project facilities.**

17 (4) Diversion of such non-Project water into Project facilities shall be
18 consistent with all applicable laws, and if involving groundwater, consistent with any
19 **applicable** groundwater management plan for the area from which it was extracted.

1 (5) After Project purposes are met, as determined by the Contracting
2 Officer, the United States and the Contractor shall share priority to utilize the remaining
3 capacity of the facilities declared to be available by the Contracting Officer for conveyance
4 and transportation of non-Project water prior to any such remaining capacity being made
5 available to non-Project contractors.

6
7 OPINIONS AND DETERMINATIONS

8 18. (a) Where the terms of this Contract provide for actions to be based upon the
9 opinion or determination of either party to this Contract, said terms shall not be construed as
10 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
11 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
12 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
13 unreasonable opinion or determination. Each opinion or determination by either party shall be
14 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is intended to
15 or shall affect or alter the standard of judicial review applicable under **Federal** law to any opinion or
16 determination implementing a specific provision of **Federal** law embodied in statute or regulation.

17 (b) The Contracting Officer shall have the right to make determinations necessary
18 to administer this Contract that are consistent with the **expressed and implied** provisions of this
19 Contract, the laws of the United States and of the State of California, and the rules and regulations
20 promulgated by the Secretary of the Interior. Such determinations shall be made in consultation with

1 the Contractor. ~~to the extent reasonably practicable.~~

2 COORDINATION AND COOPERATION

3 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
4 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
5 affected Project Contractors, in order to improve the operation and management of the Project. The
6 communication, coordination, and cooperation regarding operations and management shall include,
7 but not be limited to, any action which will or may materially affect the quantity or quality of Project
8 Water supply, the allocation of Project Water supply, and Project financial matters including, but not
9 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder
10 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making
11 authority for all actions, opinion, and determinations to be made by the respective party.

12 (b) Within one hundred twenty (120) days following the effective date of this
13 Contract, the Contractor, other affected Project Contractors, and the Contracting Officer shall arrange
14 to meet with interested Project Contractors to develop a mutually agreeable, written Project-wide
15 process, which may be amended as necessary separate and apart from this Contract. The goal of this
16 process shall be to provide, to the extent practicable, the means of mutual communication and
17 interaction regarding significant decisions concerning Project operation and management on a real-
18 time basis.

19 (c) In light of the factors referred to in subdivision (b) of Article 3 of this

Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this intent:

(1) The Contracting Officer will, at the request of the Contractor, assist in the development of integrated resource management plans for the Contractor. Further, the Contracting Officer will, as appropriate, seek authorizations for implementation of partnerships to improve water supply, water quality, and reliability.

(2) The Secretary will, as appropriate, pursue program and project implementation and authorization in coordination with Project Contractors to improve the water supply, water quality, and reliability of the Project for all Project purposes.

(3) The Secretary will coordinate with Project Contractors and the State of California to seek improved water resource management.

(4) The Secretary will coordinate actions of agencies within the Department of the Interior that may impact the availability of water for Project purposes.

(5) The Contracting Officer shall periodically, but not less than annually, hold division level meetings to discuss Project operations, division level water management activities, and other issues as appropriate.

(d) Without limiting the contractual obligations of the Contracting Officer ~~hereunder~~ **under the other Articles of this Contract**, nothing in this ~~Contract~~ **Article** shall be construed to limit or constrain the Contracting Officer's ability to communicate, coordinate, and cooperate with the Contractor or other interested stakeholders or to make decisions in a timely

fashion as needed to protect health, safety, physical integrity of structures or facilities. ~~or the~~

~~Contracting Officer's ability to comply with applicable laws~~

CHARGES FOR DELINQUENT PAYMENTS

20. (a) The Contractor shall be subject to interest, administrative and penalty charges on delinquent installments or payments. When a payment is not received by the due date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the Contractor shall pay any fees incurred for debt collection services associated with a delinquent payment.

(b) The interest charge rate shall be the greater of the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments, or the interest rate of one-half of one (0.5%) percent per month prescribed by Section 6 of the Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and remain fixed for the duration of the delinquent period.

(c) When a partial payment on a delinquent account is received, the amount received shall be applied, first to the penalty, second to the administrative charges, third to the accrued interest, and finally to the overdue payment.

EQUAL OPPORTUNITY

21. During the performance of this Contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by

1 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

2
3 (b) The Contractor will, in all solicitations or advertisements for employees placed
4 by or on behalf of the Contractor, state that all qualified applicants will receive consideration for
5 employment without discrimination because of race, color, religion, sex, or national origin.

6
7 (c) The Contractor will send to each labor union or representative of workers with
8 which it has a collective bargaining agreement or other contract or understanding, a notice, to be
9 provided by the Contracting Officer, advising the said labor union or workers' representative of the
10 Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and
11 shall post copies of the notice in conspicuous places available to employees and applicants for
12 employment.

13
14 (d) The Contractor will comply with all provisions of Executive Order No. 11246
15 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary
16 of Labor.

17
18 (e) The Contractor will furnish all information and reports required by said
19 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
20 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer
21 and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules,
22 regulations, and orders.

23
24 (f) In the event of the Contractor's noncompliance with the nondiscrimination
25 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be
26 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible
27 for further Government contracts in accordance with procedures authorized in said amended
28 Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said
29 Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided
30 by law.

31
32 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
33 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
34 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
35 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
36 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
37 means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That
38 in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor

1 or vendor as a result of such direction, the Contractor may request the United States to enter into such
2 litigation to protect the interests of the United States.

3
4 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT
5

6 22. (a) The obligation of the Contractor to pay the United States as provided in this
7 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation
8 may be distributed among the Contractor's water users and notwithstanding the default of individual
9 water users in their obligations to the Contractor.

10
11 (b) The payment of charges becoming due hereunder is a condition precedent to
12 receiving benefits under this Contract. The United States shall not make water available to the
13 Contractor through Project facilities during any period in which the Contractor may be in arrears in
14 the advance payment of water rates due the United States. The Contractor shall not furnish water
15 made available pursuant to this Contract for lands or parties which are in arrears in the advance
16 payment of water rates levied or established by the Contractor.

17
18 (c) With respect to subdivision (b) of this Article, the Contractor shall have no
19 obligation to require advance payment for water rates which it levies.

20
21 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS
22

23 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964 (42
24 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the Age
25 Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws, as
26 well as with their respective implementing regulations and guidelines imposed by the U.S.
27 Department of the Interior and/or Bureau of Reclamation.

28
29 (b) These statutes require that no person in the United States shall, on the grounds
30 of race, color, national origin, handicap, or age, be excluded from participation in, be denied the
31 benefits of, or be otherwise subjected to discrimination under any program or activity receiving
32 financial assistance from the Bureau of Reclamation. By executing this Contract, the Contractor
33 agrees to immediately take any measures necessary to implement this obligation, including
34 permitting officials of the United States to inspect premises, programs, and documents.

35
36 (c) The Contractor makes this agreement in consideration of and for the purpose

of obtaining any and all Federal grants, loans, contracts, property discounts, or other Federal financial assistance extended after the date hereof to the Contractor by the Bureau of Reclamation, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. The Contractor recognizes and agrees that such Federal assistance will be extended in reliance on the representations and agreements made in this Article, and that the United States reserves the right to seek judicial enforcement thereof.

PRIVACY ACT COMPLIANCE

24. Omitted.

CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

25. In addition to all other payments to be made by the Contractor pursuant to this Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for such specific items of direct cost incurred by the United States for work requested by the Contractor associated with this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in writing in advance by the Contractor. This Article shall not apply to costs for routine contract administration.

WATER CONSERVATION

26. (a) Prior to the delivery of water provided from or conveyed through Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be implementing an effective water conservation and efficiency program based on the Contractor's water conservation plan that has been determined by the Contracting Officer to meet the conservation and

1 efficiency criteria for evaluating water conservation plans established under Federal law. The water
2 conservation and efficiency program shall contain definite water conservation objectives, appropriate
3 economically feasible water conservation measures, and time schedules for meeting those objectives.
4 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
5 continued implementation of such water conservation program. In the event the Contractor's water
6 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of
7 Article 26 of this Contract have not yet been determined by the Contracting Officer to meet such
8 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the
9 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently
10 works with the Contracting Officer to obtain such determination at the earliest practicable date, and
11 thereafter the Contractor immediately begins implementing its water conservation and efficiency
12 program in accordance with the time schedules therein.

13 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
14 Article 3 of this Contract equal or exceed two thousand (2,000) acre-feet per Year, the Contractor
15 shall implement the Best Management Practices identified by the time frames issued by the
16 California Urban Water Conservation Council for such M&I Water unless any such practice is
17 determined by the Contracting Officer to be inappropriate for the Contractor.

18 (c) The Contractor shall submit to the Contracting Officer a report on the status of
19 its implementation of the water conservation plan on the reporting dates specified in the then existing

conservation and efficiency criteria established under Federal law.

(d) At five (5) -year intervals, the Contractor shall revise its water conservation plan to reflect the then current conservation and efficiency criteria for evaluating water conservation plans established under Federal law and submit such revised water management plan to the Contracting Officer for review and evaluation. The Contracting Officer will then determine if the water conservation plan meets Reclamation's then current conservation and efficiency criteria for evaluating water conservation plans established under Federal law.

(e) If the Contractor is engaged in direct groundwater recharge, such activity shall be described in the Contractor's water conservation plan.

EXISTING OR ACQUIRED WATER OR WATER RIGHTS

27. Except as specifically provided in Article 17 of this Contract, the provisions of this Contract shall not be applicable to or affect non-Project water or water rights now owned or hereafter acquired by the Contractor or any user of such water within the Contractor's Service Area. Any such water shall not be considered Project Water under this Contract. In addition, this Contract shall not be construed as limiting or curtailing any rights which the Contractor or any water user within the Contractor's Service Area acquires or has available under any other contract pursuant to Federal Reclamation law.

OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

28. (a) The **O&M** of a portion of the Project facilities which serve the Contractor, and

responsibility for funding a portion of the costs of such **O&M**, have been transferred to the Operating Non-Federal Entity by separate agreement between the United States and the Operating Non-Federal Entity. That separate agreement shall not interfere with or affect the rights or obligations of the Contractor or the United States hereunder.

(b) The Contracting Officer has previously notified the Contractor in writing that the **O&M** of a portion of the Project facilities which serve the Contractor has been transferred to the Operating Non-Federal Entity, and therefore, the Contractor shall pay directly to the Operating Non-Federal Entity, or to any successor approved by the Contracting Officer under the terms and conditions of the separate agreement between the United States and the Operating Non-Federal Entity described in subdivision (a) of this Article, all rates, charges, or assessments of any kind, including any assessment for reserve funds, which the Operating Non-Federal Entity or such successor determines, sets, or establishes for the **O&M** of the portion of the Project facilities operated and maintained by the Operating Non-Federal Entity or such successor. Such direct payments to the Operating Non-Federal Entity or such successor shall not relieve the Contractor of its obligation to pay directly to the United States the Contractor's share of the Project Rates, Charges, and Tiered Pricing Components except to the extent the Operating Non-Federal Entity collects payments on behalf of the United States in accordance with the separate agreement identified in subdivision (a) of this Article.

(c) For so long as the **O&M** of any portion of the Project facilities serving the

Contractor is performed by the Operating Non-Federal Entity, or any successor thereto, the Contracting Officer shall adjust those components of the Rates for Water Delivered under this Contract representing the cost associated with the activity being performed by the Operating Non-Federal Entity or its successor.

(d) In the event the **O&M** of the Project facilities operated and maintained by the Operating Non-Federal Entity is re-assumed by the United States during the term of this Contract, the Contracting Officer shall so notify the Contractor, in writing, and present to the Contractor a revised Exhibit "B" which shall include the portion of the Rates to be paid by the Contractor for Project Water under this Contract representing the **O&M** costs of the portion of such Project facilities which have been re-assumed. The Contractor shall, thereafter, in the absence of written notification from the Contracting Officer to the contrary, pay the Rates, Charges, and Tiered Pricing Component(s) specified in the revised Exhibit "B" directly to the United States in compliance with Article 7 of this Contract.

CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

29. The expenditure or advance of any money or the performance of any obligation of the United States under this Contract shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations under this Contract. No liability shall accrue to the United States in case funds are not appropriated or allotted.

BOOKS, RECORDS, AND REPORTS

30. (a) The Contractor shall establish and maintain accounts and other books and

records pertaining to administration of the terms and conditions of this Contract, including: the Contractor's financial transactions, water supply data, and Project land and right-of-way agreements; water use data; and other matters that the Contracting Officer may require. Reports thereon shall be furnished to the Contracting Officer in such form and on such date or dates as the Contracting Officer may require. Subject to applicable Federal laws and regulations, each party to this Contract shall have the right during office hours to examine and make copies of the other party's books and records relating to matters covered by this Contract.

(b) Notwithstanding the provisions of subdivision (a) of this Article, no books, records, or other information shall be requested from the Contractor by the Contracting Officer unless such books, records, or information are reasonably related to the administration or performance of this Contract. Any such request shall allow the Contractor a reasonable period of time within which to provide the requested books, records, or information.

(c) At such time as the Contractor provides information to the Contracting Officer pursuant to subdivision (a) of this Article, a copy of such information shall be provided to the Operating Non-Federal Entity.

ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

31. (a) The provisions of this Contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest therein shall be valid until approved in writing by the Contracting Officer.

(b) The assignment of any right or interest in this Contract by either party shall not interfere with the rights or obligations of the other party to this Contract absent the written concurrence of said other party.

(c) The Contracting Officer shall not unreasonably condition or withhold approval

1 of any proposed assignment.

2 SEVERABILITY

3 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
4 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
5 association or other form of organization whose primary function is to represent parties to Project
6 contracts, brings an action in a court of competent jurisdiction challenging the legality or
7 enforceability of a provision included in this Contract and said person, entity, association, or
8 organization obtains a final court decision holding that such provision is legally invalid or
9 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
10 parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of such
11 final court decision identify by mutual agreement the provisions in this Contract which must be
12 revised and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The
13 time periods specified above may be extended by mutual agreement of the parties. Pending the
14 completion of the actions designated above, to the extent it can do so without violating any
15 applicable provisions of law, the United States shall continue to make the quantities of Project Water
16 specified in this Contract available to the Contractor pursuant to the provisions of this Contract which
17 were not found to be legally invalid or unenforceable in the final court decision.

18 RESOLUTION OF DISPUTES

19 33. Should any dispute arise concerning any provisions of this Contract, or the parties'

rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring any matter to Department of Justice, the party shall provide to the other party thirty (30) days' written notice of the intent to take such action; Provided, That such notice shall not be required where a delay in commencing an action would prejudice the interests of the party that intends to file suit. During the thirty (30) -day notice period, the Contractor and the Contracting Officer shall meet and confer in an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to waive or abridge any right or remedy that the Contractor or the United States may have.

OFFICIALS NOT TO BENEFIT

34. No Member of or Delegate to Congress, Resident Commissioner, or official of the Contractor shall benefit from this Contract other than as a water user or landowner in the same manner as other water users or landowners.

CHANGES IN CONTRACTOR'S SERVICE AREA

35. (a) While this Contract is in effect, no change may be made in the Contractor's **Service Area** or boundaries by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise, except upon the Contracting Officer's written consent.

(b) Within thirty (30) days of receipt of a request for such a change, the Contracting Officer will notify the Contractor of any additional information required by the Contracting Officer for processing said request, and both parties will meet to establish a mutually agreeable schedule for timely completion of the process. Such process will analyze whether the proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this

Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply with the National Environmental Policy Act and the Endangered Species Act. The Contractor will be responsible for all costs incurred by the Contracting Officer in this process, and such costs will be paid in accordance with Article 25 of this Contract.

FEDERAL LAWS

36. By entering into this Contract, the Contractor does not waive its rights to contest the validity or application in connection with the performance of the terms and conditions of this Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the terms and conditions of this Contract unless and until relief from application of such Federal law or regulation to the implementing provision of the Contract is granted by a court of competent jurisdiction.

NOTICES

37. Any notice, demand, or request authorized or required by this Contract shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered to the Area Manager, South-Central California Area Office, 1243 N Street, Fresno, CA 97321, and on behalf of the United States, when mailed, postage prepaid, or delivered to the **California Department of Fish and Game, Legal Affairs Division, 1416 Ninth Street, 12th Floor, Sacramento, CA 95814**. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this Article for other notices.

CONFIRMATION OF CONTRACT

38. The Contractor, after the execution of this Contract, shall furnish to the Contracting Officer evidence that pursuant to the law of the State of California, the Contractor is a legally constituted entity and the contract is lawful, valid, and binding on the Contractor. This contract shall not be binding on the United States until such evidence has been provided to the Contracting Officers satisfaction.

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No **14-06-200-8033A-LTR1**

1
2 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
3 year first above written.
4

5 THE UNITED STATES OF AMERICA
6
7

8
9 By: _____
10 Regional Director, Mid-Pacific Region
11 Bureau of Reclamation
12
13

14
15 CALIFORNIA DEPARTMENT OF FISH &
16 GAME
17

18 By: _____
19 Director
20

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No **14-06-200-8033A-LTR1**

EXHIBIT A

[Map or Description of Service Area]

R.O. Draft 9/23-2003

R.O. Draft 8/21-2003

Based on CVP-Wide Form 6/10-2003

CVP M&I Only LTRC

Contract No **14-06-200-8033A-LTR1**

EXHIBIT B

[Initial Rates and Charges]